

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**
HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

0 0 - 0 1 2

2. STATE:

Kentucky

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

July 1, 2000

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447.250 through 280

7. FEDERAL BUDGET IMPACT:

a. FFY 2001 \$ 89991,299

b. FFY _____ \$ _____

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A pages 7.1, 7.2, 7.3

7.4, add 10

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Attachment 4.19-A 7.1 and 7.2

10. SUBJECT OF AMENDMENT:

Establishes reimbursement methodology for acute care, rehabilitation, critical
access and participating out-of-state hospitals.

GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL☒ OTHER, AS SPECIFIED:Review delegated to Commissioner
Department for Medicaid Services

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

Dennis Boyd

14. TITLE:

Commissioner, Dept for Medicaid Services

15. DATE SUBMITTED:

9/27/00

16. RETURN TO:

Sharon A. Rodriguez, Manager
Policy Coordination Branch
Department for Medicaid Services
275 East Main Street 6ea
Frankfort KY 40621

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

September 29, 2000

18. DATE APPROVED:

April 13, 2001

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

July 1, 2000

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

Eugene A. Grassie

22. TITLE: Associate Regional Administrator
Division of Medicaid and State Operations

23. REMARKS:

- b. The hospital must have the greatest number of Medicaid inpatient days of any hospital in the State, in the previous fiscal year.

During this year such a hospital, shall be allowed a limit that is 200% of the limit described in OBRA '93.

- L. Effective February 20, 1995, to be classified as a Type III hospital, a university teaching hospital must make a request to the Department for Medicaid Services for Type III status.
- M. To qualify for the base payment of \$200,000 as outlined in J. 2., hospitals must submit to the Cabinet a written commitment and a description of a planning approach by the hospital to work with local health department(s) and other appropriate providers to provide medical services to the indigent. This plan shall be based on community health needs assessment using a methodology approved by the Cabinet. This plan shall be submitted for review by the Cabinet and the General Assembly's Interim Committee on Health and Welfare no later than June 30, 1995.
- N. Hospitals shall submit, by the 15th of the month following the end of the quarter, reports to the Department for Medicaid Services. These reports shall indicate the number of indigent patients treated for the prior quarter and the costs associated with their care.
- O. For the period beginning July 1, 2000, disproportionate share hospital payments shall be made according to the following:
1. Hospitals shall be classified according to the following:
 - a. Type I hospitals shall be hospitals with 100 beds or less;
 - b. Type II hospitals shall be hospitals with more than 100 beds that are not Type III or Type IV hospitals;
 - b. Type III hospitals shall be state university teaching hospitals; and
 - c. Type IV hospitals shall be state-owned psychiatric hospitals.
 2. Annually the department shall determine a sum of funds to be appropriated to each classification of hospitals in accordance with state and federal law.
 3. Disproportionate share hospital payments shall be fully prospective amounts determined in advance of the state fiscal year to which they apply, and shall not be subject to settlement or revision based on changes in utilization during the year to which they apply. Payments prospectively determined for each state fiscal year shall be considered payment for that year, and not for the year from which patient and cost data used in the calculation was taken.
 4. For SFY 2000-2001, the department shall use patient and cost data from the period of October 1998 to September 1999 in the determination of amount payable to Type I and Type II hospitals. Subsequent years payment shall use patient and cost data from the most

recently completed state fiscal year. DSH payments determined under this methodology shall be made on an annual basis.

5. Distributions to a Type I and Type II hospital be based upon each hospital's proportion of costs determined as follows:

Indigent Costs

Total Indigent Costs for Type I and Type II hospitals X Available Fund = DSH Payment

6. Disproportionate share hospital payments made to Type III and Type IV hospitals shall be based upon each facilities historical percentage of costs as applied to current patient and cost data. Payments made to a Type III hospital shall be equal to the sum of the costs of providing services to Medicaid patients, less the amount paid under nondisproportionate share provisions and the costs of services to uninsured indigent patients, less any payments made. Payments shall be made on an annual basis.

Distributions to a Type III and Type IV hospital shall be based upon available funds as appropriated under O. 2., according to the following :

Indigent Costs

Total Indigent Costs for Type III hospitals X Available Fund = DSH Payment

And:

Indigent Costs

Total Indigent Costs for Type IV hospitals X Available Fund = DSH Payment

7. The disproportionate share hospital payment shall be an amount that is reasonably related to costs, volume, or proportion of services provided to patients eligible for medical assistance and to low income patients.

(7) Payments to Participating out-of-state Hospitals

A. Effective with regard to services provided on or after July 1, 1990, participating out-of-state hospitals shall be reimbursed for covered inpatient services rendered eligible Kentucky Medicaid recipients at the rate of seventy-five (75) percent of usual and customary charges, up to the in-state per diem limit for a comparable size hospital, except as specified in (b).

B. Effective with regard to medically necessary hospital inpatient services provided on or after July 1, 1991, to infants under the age of one (1), and for children under the age of six (6) in disproportionate share hospitals (determined in the same manner as for in-state hospitals except that out-of-state hospitals are not included in facility arrays) for days of stay which for newborns are after thirty (30) days beyond the date of discharge for the mother of the child and for all other children are after thirty days from the date of admission, participating out-of-state hospitals shall be paid at the rate of eighty-five (85) percent of the usual and customary actual billed charges up to 110 percent of the per diem upper limit for the in-state peer group for

comparable sized hospitals in recognition of exceptionally high costs and lengths of stay related to infants under the age of one (1), and children under age six (6) without regard to length of stay or number of admissions of the infants children.

C. Professional costs (i.e., physician fees) for all covered days of stay shall be paid at seventy-five (75) percent of the usual and customary charges of the provider.

Special Payment Rates and Upper Limits Period

- (8) Provider taxes shall be considered allowable cost. For the rate period beginning July 1, 1993, the allowable cost of the tax shall be added to the hospital rate with no offsets. For subsequent rate periods the cost (excluding, effective March 1, 1994, any per diem rate adjustment for the prior rate period relating to provider taxes) shall be shown in the appropriate cost report with adjustment as necessary to reflect an annual amount.
- (9) Allowable cost growth from the prior rate base year to the new rate base year shall be limited to not more than one and one-half (1 1/2) times the Data Resources, Inc. inflation amount for the same period; limits shall be applied by component (capital and operating cost only); cost growth beyond the allowable amounts shall be considered unallowable cost for rate setting purposes.

Hospital Reimbursement Methodology for State Fiscal Year 2000-2001

1. The reimbursement rate for acute care and rehabilitation hospitals for the rate year beginning July 1, 2000 shall be determined by utilizing a rate on rate methodology. The rate shall be determined by the department as follows:
 - a. The department shall utilize a hospital's June 30, 2000 per diem rate that includes on operating, professional, and capital cost components.
 - b. The per diem rate shall be multiplied by the rate of increase of 2.8 %. This rate of increase is determined by an analysis of current rates, utilization, inflation as measured by the Data Resources, Inc. (DRI), and annual budgetary limits.
2. Payments to psychiatric hospitals shall not be subject to this rate on rate methodology. Their rates shall be determined using the methodology as described in Attachment 4.19-A, Exhibit A.
3. Acute care hospitals that have been relicensed as critical access hospitals shall be paid for inpatient services through a per diem rate as established by HCFA for the Medicare program. The per diem rate shall include operating, professional, and capital cost components. Any revisions to this rate shall reflect revisions made by Medicare. Total payments made to a critical access hospital shall be subject to the payment limitation in 42 CFR 447.271.

Effective July 1, 2000 the following policy shall be in effect:

The reimbursement rate for an acute care and rehabilitation hospital for the rate year beginning July 2000 shall be determined by utilizing a rate on rate methodology. The department shall utilize a hospital's June 30, 2000 per diem rate that includes operating, professional and capital cost components and the per diem rate shall be multiplied by the rate of increase of 2.8%.

The Department for Medicaid Services established a per diem rate that recognized allowable reasonable costs of a general acute care hospital relicensed as a critical access hospital.

The per diem rate shall include operating costs, professional costs and capital costs. Reimbursement for inpatient critical access hospital services shall be determined by multiplying the per diem rate by the number of approved patient days.

Until a cost report is available, a licensed and certified critical access hospital shall have an interim rate established by the department through the use of an operating budget, capital budget, and projected patient days submitted by the hospital to the department within thirty days of receiving certification as a critical access hospital. The interim rate shall include an operating and professional component that shall be determined by dividing projected operating and professional costs by the number of projected inpatient days and a capital cost component that shall be determined by dividing projected inpatient capital costs by the number of projected inpatient days.

Until an audited cost report is available, the operating per diem rate may be adjusted if requested by the provider and justified by the submittal of additional information and once an audited cost report that contains twelve complete months of audited data becomes, a per diem rate shall be established using a prospective payment rate based on allowable Medicaid costs and Medicaid inpatient days, with a year end settlement to actual cost.

TN No. 00-12
Supersedes
TN No. None

Approval Date APR 13 2001 Effective Date 7/1/2000